



# RENTAL HOUSING IMPACT FEE AND NEXUS STUDY

## Stakeholder Outreach Meeting

January 2015



# Agenda

- Context
- Nexus Study
- Options
- Next Steps



# Context of Nexus Study

- Sunnyvale's 30+ Years of Comprehensive Housing Programs
- Trends
- Development Environment
- Legal Context



# Ongoing Housing Efforts

- Homebuyer Programs
- Home Improvement
- Rental Programs
- Homelessness

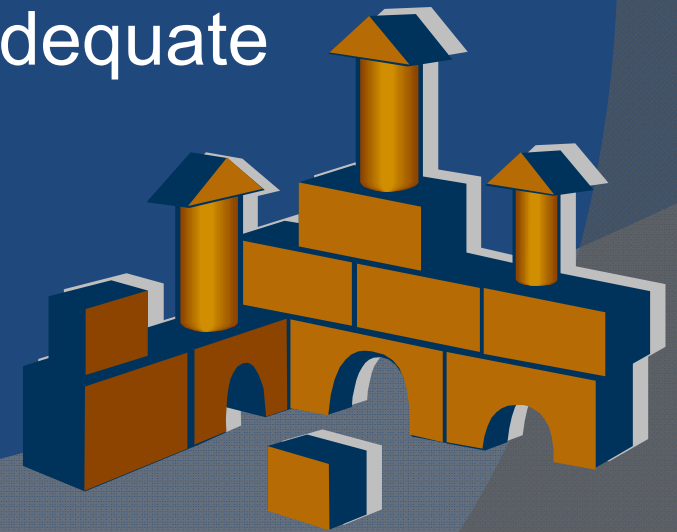
Prevention & Recovery

- Capital Projects: New construction, acquisition, rehabilitation



# Housing-Supportive Policies

- ⦿ Density Bonus
- ⦿ Inclusionary Zoning
- ⦿ Flexible & Mixed-Use Zoning
- ⦿ Station Area Plans & Priority Development Areas
- ⦿ Certified Housing Element & Adequate Sites
- ⦿ Nationally-Recognized Streamlined Permitting



# Trends: Funding



- Federal CDBG & HOME Grants  
~ \$1M / year and decreasing
- Linkage Fees (“HMF”)  
\$1 - \$7M / year, highly variable based on commercial development trends
- BMR In-Lieu Fees  
Not a major revenue source prior to 2012; now increasing due to 2012 code changes (fractional unit fees)
- Deferred RDA Housing Set-Aside  
Initial deposits to begin in 2015; for ~15 years

# Trends: Affordability

## Housing Costs:

- Apt. rents increased **11.7%** in past 12 months
- Average Sunnyvale Apt. Rent:  
**\$2,351 / Month**

*Source: RealFacts, 3Q 2014*

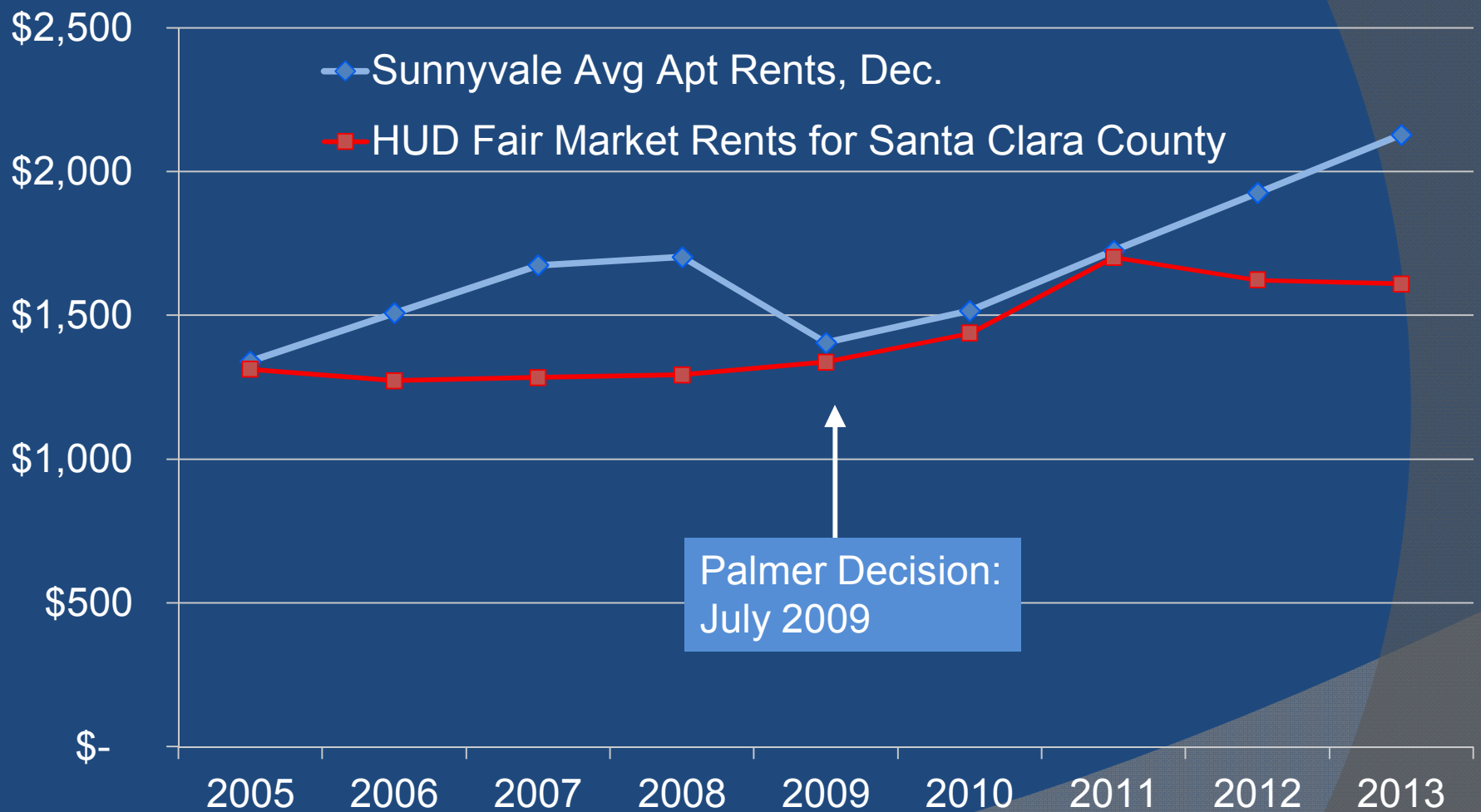


## Affordability:

*Average Rents Affordable only to  
Moderate Income Households*



# Recent Local Rent Trends



Sources: Sunnyvale Vacancy & Rent Surveys, HUD User FMR

# Development Environment

## Fees for 97-unit apartment project

- Park In-Lieu Fees: \$1.5 Million
- Sense of Place Fees: \$100,000
- Traffic Impact Fees: \$124,000
- Building Permit Fees: \$375,000
- School Impact Fee: \$275,000



Land Costs: \$3-5 Million / acre

Permit Issuances UP

# Legal Context

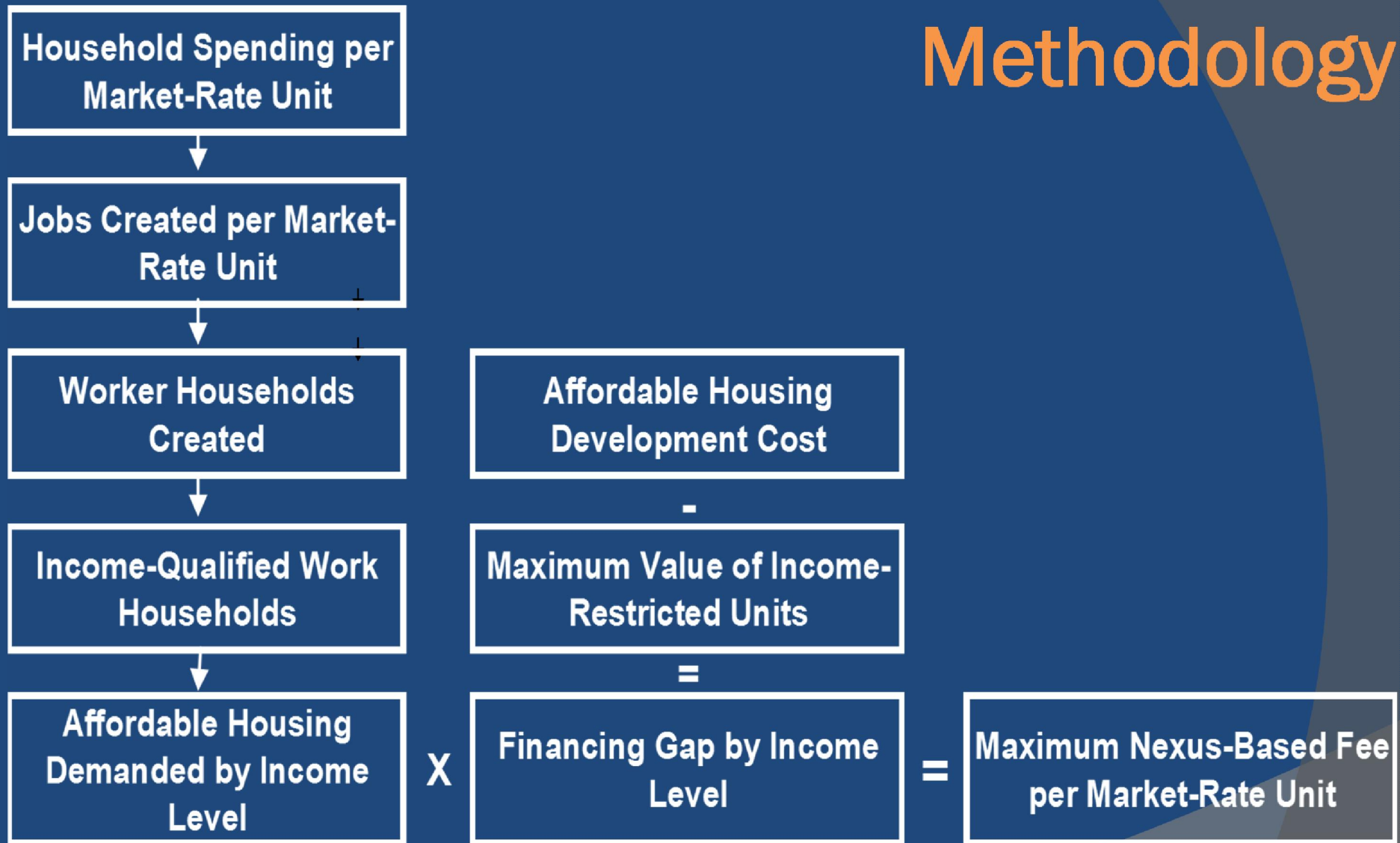


- 2009 Palmer v. L.A. Decision Strikes Down Inclusionary Rental Programs
- Numerous challenges to ownership and/or rental inclusionary programs
  - Sunnyvale, Palo Alto, San Jose, Mountain View programs challenged between 2008-2013
- State Dissolves Redevelopment Agencies

# Background of Rental Impact Fee Nexus Study

Date	Step
<b>July 2012</b>	Council Directs Staff to Prepare Nexus Study on Rental Impact Fee
<b>August 2013</b>	Council Study Session on Nexus Study; Council Directs Staff to Complete Commercial Linkage Fee Nexus Study before Preparing Rental Impact Fee Proposal
<b>December 9, 2014</b>	Linkage Fee Nexus Study Completed; Council Directs Staff to Prepare Ordinance with Rate of \$7.50 to \$15 / SF for Commercial Projects

# Methodology



\*Figure format based on A.F. Cray's "The Use of Residential Nexus Analysis in Support of California's Inclusionary Housing Ordinances: A Critical Evaluation"; November 2011

# Nexus Study Observations

- Most jobs created through new resident spending are in lower-income groups:
  - Majority in retail and personal/household services
  - Average wages are less than \$35,000/year
- Government jobs created are typically moderate-income or above; don't require housing subsidy (for rental)

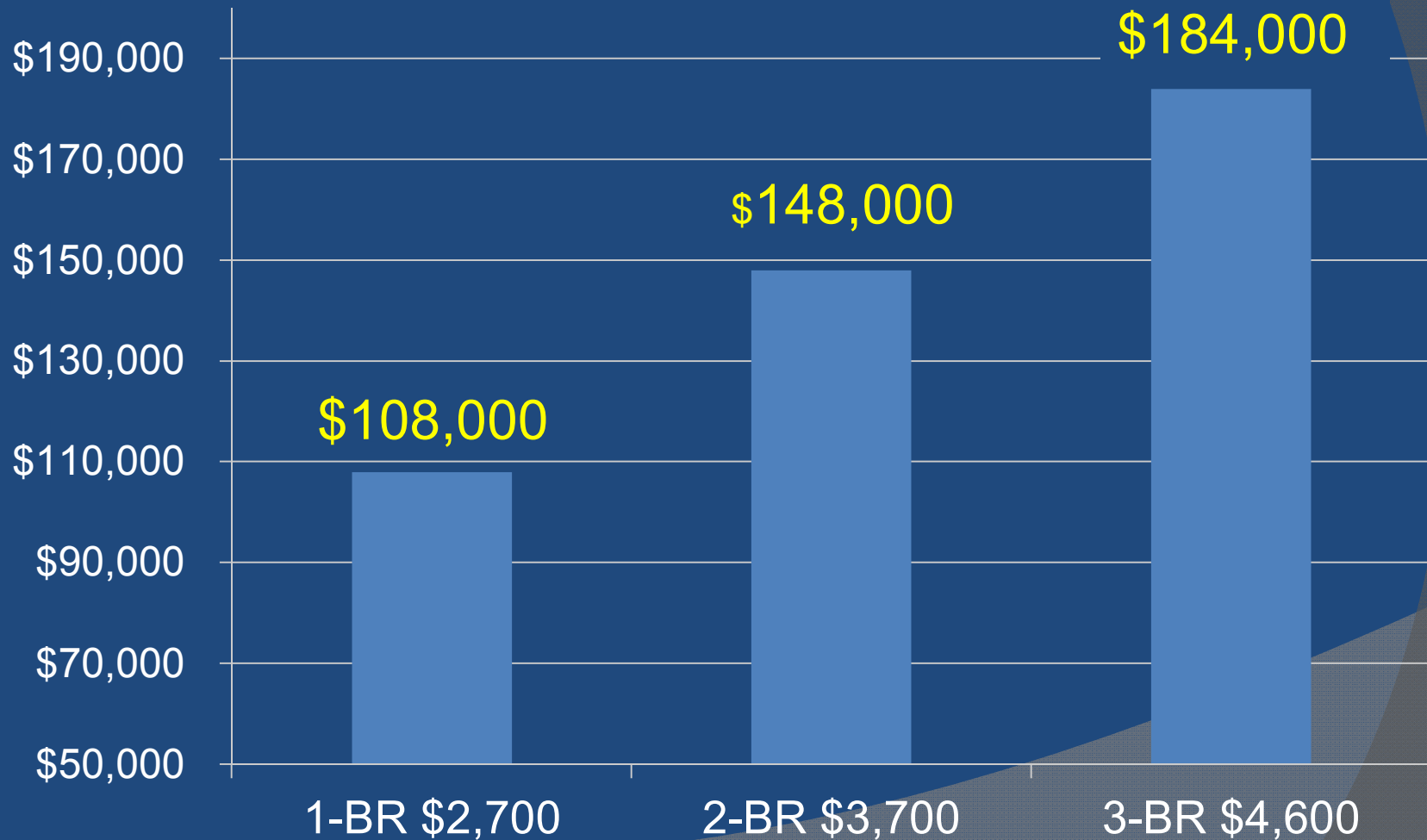
# Nexus Study Observations

Rents in Newer Apartments are NOT Affordable to Lower Income Households

# of Bedrooms	Low Income Limit (80% AMI)	Rents Affordable to Low Income Tenants	Average Rents in Recent Projects [1]
1	\$67,900	\$1,698	\$2,700
2	\$76,400	\$1,910	\$3,700
3	\$84,900	\$2,123	\$4,600

*[1] 3Q 2014 rents for Lawrence Station Apts, Loft House, Via, and Solstice*

# Annual Income Needed to Rent a Newer Market-Rate Apartment in Sunnyvale



# Nexus Study Observations

Subsidies needed to build apartments affordable to lower-income households

Development Assumptions	42 units / acre
Costs	
Land/Acre	\$4,094,000
Land/Unit	\$97,476
Construction & Soft Costs	\$325,394
Total Cost/Unit	\$422,870
Total Supportable Unit Value (80% AMI)	\$276,647
<b>Subsidy Required / Unit</b>	<b>\$146,223</b>
<i>Data from Table 3 of the EPS Nexus Study</i>	

# Nexus Study Results

## Maximum Supportable Nexus-Based Housing Fees, or Unit Requirements In-Lieu of Fees

Unit Type	Maximum Nexus-Based Fee		Units Required, by Income Level			
	<i>Fee per Unit</i>	<i>Fee/SF [1]</i>	<i>Very Low</i>	<i>Low</i>	<i>Median</i>	<i>Total</i>
<b>Studio</b>	\$47,154	<b>\$98</b>	14.1%	3.0%	1.1%	<b>18.2%</b>
<b>1 BR</b>	\$47,563	<b>\$60</b>	14.3%	2.8%	1.1%	<b>18.2%</b>
<b>2 BR</b>	\$66,042	<b>\$55</b>	20.3%	3.0%	2.0%	<b>25.3%</b>
<b>3 BR</b>	\$85,343	<b>\$61</b>	26.2%	4.1%	1.4%	<b>31.7%</b>

*[1] Fee/SF calculated by dividing the maximum fee per unit by average SF of various unit types, as shown on Table 4. Source: EPS, Inc.*

# Rental Impact Fees in Nearby Cities

City	Fee Status/Amount
<b>Cupertino</b>	\$3 per SF; currently conducting a Nexus Study
<b>Mountain View</b>	\$17 per SF, eff. Feb. 2015
<b>San Jose</b>	\$17 per SF
<b>San Carlos</b>	Range of \$2.38 to \$28.27 per SF
<b>Fremont</b>	\$19.50 per SF
<b>Walnut Creek</b>	\$15 per SF
<b>Berkeley</b>	\$28,000 per unit

# Other Cities Surveyed

City	Fee Status/Amount
<b>Saratoga, Los Altos Hills, Los Altos, Santa Clara, Milpitas, Morgan Hill, Gilroy, Los Gatos</b>	No fee
<b>Palo Alto</b>	No fee; conducting a Nexus Study
<b>Campbell</b>	No fee; considering studying in the future

# Options Considered

- Fee of \$17-26 per SF on new market-rate rental units
- Option to provide affordable units in lieu of fee
- Fee sunsets if *Palmer* decision reversed through legislation
- Payable prior to building permit issuance or at occupancy

# Recently Funded Projects

## New Projects:

- Fair Oaks Plaza (124 new units) \$4.6M in HMF + \$1.4M HOME
- Armory Project (117 new units): \$8.1M in HMF + \$2.25M HOME

# Recently Funded Projects

## Rehabilitation Projects

- ◉ Homestead Park (78 units): \$5M HMF
- ◉ Morse Court (35 units): \$1M
- ◉ Jackson St. Habitat Homes (2 units): \$132,000
- ◉ Bill Wilson Group Homes (10 units): \$45,000
- ◉ Stoney Pine Apartments (21 units): \$99,000

# Next Steps



- ⦿ January 28: HHSC Public Hearing
- ⦿ February 9: PC Public Hearing
- ⦿ February 10: City Council Study Session
- ⦿ March 17: City Council Public Hearing

# More Information:

**Ernie DeFrenchi, Affordable Housing Mgr.**  
**(408) 730-2784**

***EdeFrenchi@sunnyvale.ca.gov***

**Sunnyvale Housing Division**

**(408) 730-7250**

***RentalImpactFee.inSunnyvale.com***